

CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Release of City of Lodi Funds held by the Northern California Power Agency (NCPA) for Geothermal/Hydroelectric Projects Debt Restructuring (\$7,500,000)

MEETING DATE: May 20, 1998

SUBMITTED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager to release up to \$7,500,000 from City of Lodi funds held in the NCPA General Operating Reserve (GOR) in support of NCPA Geothermal and Hydroelectric Projects debt restructuring.

BACKGROUND: The NCPA Geothermal and Hydroelectric Projects debt restructuring plan requires an equity contribution by project participants. Also, due to a long-term layoff contract of Geothermal Plant No. 2, output to Turlock Irrigation District (TID), certain participants, including Lodi, will need to reimburse TID for foregone future benefits for the remaining term of the layoff contract as a result of the Geothermal portion of the debt restructuring.

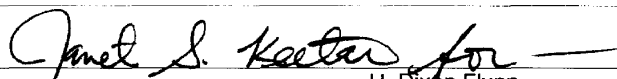
The NCPA debt restructuring plan is designed to align Geothermal and Hydroelectric Projects' debt service terms according to life of projects - Geothermal debt service is being shortened while Hydroelectric debt is being extended. This debt restructuring (with an equity contribution) will decrease total NCPA project cash flow requirements.

As discussed with the Council at previous Shirt Sleeve Sessions and the last Council Meeting, debt restructuring plays a major role in the Electric Utility Department Competition Transition Plan. The combination of the above NCPA debt restructuring plan and the City's electric system debt restructuring plan is designed to significantly decrease the electric sales revenue requirement thereby allowing Lodi's electric utility to enter California's competitive electric energy market along with investor-owned utilities.

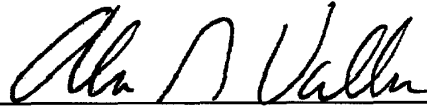
The current estimates for the required funds are: 1) Equity contribution: \$7.1M; and 2) TID reimbursement: \$0.1M. The exact amounts required for both portions of the restructuring will be determined once the final elements of the NCPA debt restructuring financing are set. The recommended maximum amount of \$7,500,000 authorized for release by the City Manager is expected to cover possible variances from the initial amounts. Upon approval, the City Manager will authorize NCPA to release the appropriate amount of funds to the Geothermal/Hydroelectric Trustee at the close of financing.

It is anticipated that final details of the debt restructuring plan will be completed by the end of May or early June and that a presentation will be made to the Council in June on the recommended financing method. Concurrently or shortly thereafter, the Department will follow with detailed recommendations for the City's electric system debt restructuring plan (Interconnect Project refinancing and electric distribution system capitalization/recapitalization).

Approved


H. Dixon Flynn
City Manager

FUNDING: NCPA GOR up to a maximum amount of \$7,500,000.



Alan N. Vallow
Electric Utility Director

FUNDING APPROVAL:

Vicky McAthie, Finance Director

Prepared by: J.L. Stone, Manager, Business Planning and Marketing

ANV/JS/pn

c: City Attorney
Finance Director
Accounting Manager
Revenue Manager
Manager, Rates and Resources

Approved _____

H. Dixon Flynn
City Manager

RESOLUTION NO. 98-69

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE
CITY MANAGER TO RELEASE UP TO \$7,500,000 FROM CITY OF
LODI FUNDS HELD BY THE NORTHERN CALIFORNIA POWER
AGENCY (NCPA) FOR GEOTHERMAL/HYDROELECTRIC
PROJECTS DEBT RESTRUCTURING

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BE IT RESOLVED, that the Lodi City Council hereby authorizes the City Manager to release up to \$7,500,000 from City of Lodi funds held by the Northern California Power Agency (NCPA) for Geothermal/Hydroelectric projects debt restructuring.

Dated: May 20, 1998

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I hereby certify that Resolution No. 98-69 was passed and adopted by the Lodi City Council in a regular meeting held May 20, 1998 by the following vote:

AYES: COUNCIL MEMBERS - Johnson, Land, Mann and Sieglock (Mayor)

NOES: COUNCIL MEMBERS - None

ABSENT: COUNCIL MEMBERS - Pennino

ABSTAIN: COUNCIL MEMBERS - None


for **ALICE M. REIMCHE**
City Clerk